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C O N F I D E N T I A L SECTION 01 OF 03 JEDDAH 000541

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SUBJECT: AMBASSADOR SPEAKS WITH REPRESENTATIVES OF AMERICAN
BUSINESS COMMUNITY IN JEDDAH

REF: JEDDAH 466

Classified By: Ambassador James C. Oberwetter,
for reasons 1.4 (b) and (d).

11. (C) SUMMARY: On August 9, the Ambassador breakfasted with three members of the American business community. All three reported that Lebanon was creating wide-spread hostility towards the United States among the Saudi population, both Sunnis and Shi'as. A Raytheon official reported a promising future for the company. A manager of a naval ship repair facility described difficulty in recruiting and retaining qualified personnel and a systemic problem with Saudi procurement policy shorting maintenance support for sophisticated weapons systems. An official of the Islamic Development Bank (IDB) advocated the Consulate General expand its monitoring of American Muslims during pilgrimage and recommended that the United States develop a cooperative relationship with the IDB in one of its major scholarship programs. The group also criticized customer service supplied by Saudi businesses and recommended that American manufacturers make an effort to promote product services as a method of winning market share. END SUMMARY.

12. (C) On August 9 the Ambassador, accompanied by Jeddah Pol/Econ Chief and Commercial Attach breakfasted with three members of the American business community in Jeddah. One attendee was a manager of the PANNESMA shipyard responsible for repair of Saudi naval vessels, one was a senior manager of Raytheon, and the third was a Muslim-American employed by the Islamic Development Bank. All are members of the Executive Committee of the American Businessmen of Jeddah and long-time contacts of the Consulate General.

LEBANON SOLIDIFYING HOSTILITY TO AMERICA

13. (C) All three sources reported a troubling rise in anti-American sentiment in the wake of the Israeli incursion into southern Lebanon. Whereas in earlier instances, they had noted that the attitude of the Saudi elite differed significantly and was more moderate than that of the average Saudi "man in the street," the sources all reported that contacts at every level of Saudi society were expressing ever intensifying hostility to the United States, because of its position concerning Lebanon. One reported that, in some respects the elite were exhibiting greater hostility toward the U.S. than were the common people. They also noted that Lebanon had bridged the often wide divide between Shi'a and Sunni in Saudi Arabia as no other issue in the recent past.

The three stressed that this hostility was still focused on U.S. policy, rather than Americans generally, but they conveyed a sense that Saudi animosity was spreading and threatened to become hardened in a general anti-American attitude.

PROMISING FUTURE FOR RAYTHEON

14. (C) The Raytheon executive offered an optimistic assessment of the company's future in Saudi Arabia. He opined that the diversification of the company would enable it to increase its activities in the Kingdom over the coming years. Raytheon provides services in support of a variety of defense and industrial products, and the company is confident that it will obtain contracts for upgrades to existing and sales and training for a number of new defense systems.

PANNESMA PLAGUED BY PERSONNEL PROBLEMS

15. (C) The PANNESMA manager reported that his biggest problem was difficulty in recruiting and keeping competent foreign-trained staff. He told the Ambassador that a significant proportion of positions that are designated for classified American or European staff are not filled at all or are filled by unqualified Saudi personnel. Given the difficult conditions under which American and European personnel labor in Saudi Arabia, the salary and incentives offered by the company are insufficient to attract qualified personnel. He further complained that the Saudi government has not been supportive, failing to solve visa problems that resulted in the departure of some European staff and restricting by administrative fiat, the salary grade at which positions could be filled.

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SAUDIS INDIFFERENT TO PROPER MAINTENANCE SUPPORT

16. (C) This led the source to observe that the Saudi authorities are indifferent, or at least insufficiently attentive, to the importance of maintenance in the long-term operation of sophisticated defense systems, such as warships. He began by complaining that the Saudis wanted new ships without wanting to pay for their maintenance, with the result that ships did not survive their proper life-span. He revealed that his facility is frequently unable to purchase or import vital spare parts and often resorts to cannibalizing parts and systems from one ship to make another seaworthy. He asserted that the Saudi negotiating acumen when developing contracts frequently manifested itself in reducing the maintenance support for a project, causing a persistent maintenance and repair deficiency. This, he asserted, could impair the reliability of the system and tarnish the manufacturer's reputation unfairly.

17. (C) He cited the example of the Saudi Navy's French-built frigates, one of which was seriously damaged in a grounding incident nearly two years ago and is still, and in all probability will remain, unfit to return to service. In his opinion, the diminished reputation of the French defense industry resulting from these trouble-plagued ships, is not entirely deserved. He said that the unreliability of the French vessels was the consequence of insufficient maintenance and repair being built into the contract. He suspected that this situation existed in many Saudi defense procurement contracts.

IDB GROWING ISLAMIC INTERNATIONAL INSTITUTION

18. (C) The IDB official reported that his institution was rapidly growing and increasing in importance in the Islamic community, confirming a conversation the Ambassador had the previous day with the President of the IDB (septel). He described a variety of programs that the IDB sponsors throughout the Islamic world. Reiterating comments he had made in an earlier conversation with Pol/Econ Chief (reftel),

he dismissed the OIC as an ineffectual organization that is financially supported by the IDB, but does little more than talk and promote useless policy statements.

IDB SCHOLARSHIPS FOR STUDY AT AMERICAN UNIVERSITIES

¶9. (C) The IDB official is anxious to promote interaction between the U.S. and Muslim countries and suggested to the Ambassador that this could be done by American colleges and universities becoming involved in IDB-sponsored scholarships.

The IDB sponsors a number of scholarships for students from IDB member countries. These scholarships are very prestigious, attracting the brightest students and post graduate fellows. The Bank pays all fees and expenses and provides a stipend. The alumni of these scholarships include many people who have risen to positions of importance throughout the scientific, business and political sectors. The IDB allows these scholarships to be used at institutions anywhere in the world.

¶10. (C) He suggested to the ambassador that it would be beneficial to the U.S. image and to the scholarship itself, if some of these scholarship students could be guaranteed admission to leading American universities. The Ambassador agreed that this could be a beneficial relationship and hopes to pursue practical discussions in instituting such a partnership. (Note: Pol/Econ Chief has had preliminary discussions with another IDB official involved in the scholarship program, who was equally receptive to the idea of arranging some scholarships to American colleges, see septel. End note.)

ENGAGING AMERICAN PILGRIMS

¶11. (C) The Bank official further suggested that the Consulate General obtain passenger lists from the travel firms that conduct U.S. pilgrims to Saudi Arabia for haj and umrah. Then, he recommended, the Consulate General, in cooperation with the local Muslim American community, set up an information and hospitality site at the airport during haj in order to better serve the American pilgrims. He observed

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that offering visible assistance to America's pilgrims would enhance the U.S reputation among Muslims who are vocal in their criticism of many nations whose pilgrims arrive in Arabia without adequate knowledge about the haj and are left to their own devices and often get into difficulty.

AFTER SALES SERVICE KEY TO INCREASED MARKET SHARE

¶12. (C) In discussing American products in the Saudi market, they all recommended, on the basis of many unhappy personal experiences, that American manufacturers should make a concerted effort to promote product repair and customer service as part of their planning in Saudi Arabia. One suggested that it would be advisable for manufacturers to establish their own independent service centers in the Kingdom, since Saudi agents could not be relied upon to provide adequate service for products they sell.

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